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EX PARTE OR LATE FILED

James K. Smith
Director
Federal Relations

November 18, 1997

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NOV 18 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

Re: **Ex Parte Presentation**
IB Docket 97-142

Dear Ms. Salas:

On Monday, November 17, 1997, Mr. Dan Fling, Vice President - International Operations, Ms. Tracy Lenzen, Director - Regulatory and I met, in separate meetings, with Mr. Peter Tenhula, Legal Advisor to Commissioner Powell, Ms. Karen Gulick, Legal Advisor to Commissioner Tristani, Ms. Katie King, Legal Advisor to Commissioner Furchtgott-Roth, and Mr. David Siddall, Legal Advisor to Commissioner Ness, to discuss Ameritech's comments in the above referenced docket. The attached material was used in the course of the meeting.

Sincerely,

A handwritten signature in dark ink, appearing to read "James K. Smith". The signature is fluid and cursive, with the first name "James" and last name "Smith" clearly distinguishable.

Attachment

cc: P. Tenhula
K. Gulick
K. King
D. Siddall

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Ameritech Ex Parte Presentation

11/17/97

IB Docket 97-142

Rules and Policies on Foreign Participation in the U.S.
Telecommunications Market

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Ameritech is a major international market participant through:

- Investments in foreign carriers
- Wholesale provision of international long distance service

Ameritech comments in 97-142

- The Commission should replace the former “effective competitive opportunities (ECO)” test with a review of whether home countries of potential foreign competitors seeking U.S. market entry have acted to permit multiple carrier entry into their own domestic markets
- Address risk to competition in the U.S. telecommunications market through conditional authorization of applications

Restriction on resale is not in the public interest

- Resale restriction would prohibit carriers with foreign affiliates from offering ubiquitous global service to their customers
- U.S. carriers would lose existing customers and be unable to grow their customer base
- Resale restriction would penalize foreign countries trying to open their markets by hindering their ability to find investors

AT&T's assertion that the proposed restriction on resale is needed to prevent foreign carriers from engaging in below cost pricing is unfounded

- Market reality - there is no evidence that affiliates of foreign carriers have engaged in below cost pricing
- The theoretical cross-subsidized pricing that AT&T imagines is unsustainable in the long run
 - The arbitrage inherent in the resale market would divert large amounts of traffic to the low-priced entrant, making them very visible
 - Carriers whose service they resell would quickly raise rates, so losses by the low-priced entrant would quickly outpace the potential for cross-subsidization
- The antitrust laws already provide a mechanism to challenge any carrier engaging in below cost pricing - there is no need for the Commission to create prior restrictions on resale

Reject AT&T's call for including resale restrictions in the 97-142 order

- AT&T's goal is to restrict U.S. carriers with foreign affiliates from competing in the U.S. market
- AT&T is substituting its own interests for the public interest
- At a minimum, there is no need for additional safeguards pertaining to resale of unaffiliated carriers' switched services, even when the reseller has a foreign affiliation